

**Minutes of the
Higher Education Appropriation Subcommittee**

Thursday, May 20, 2004, 9:00 a.m.
Weber State University - Ogden Campus

Members Present:

Sen. David Gladwell, Co-chairman
Rep. Bradley T. Johnson, Co-chairman
Sen. Ron Allen
Rep. Katherine M. Bryson
Rep. Brad Dee
Rep. Kory Holdaway
Rep. Gregory H. Hughes
Rep. Patricia W. Jones
Rep. LaWanna "Lou" Shurtliff
Rep. Stephen H. Urquhart

Members Excused:

Sen. Bill Hickman
Sen. Peter Knudson
Rep. Margaret Dayton
Rep. Susan Lawrence

Others Present:

Phil Alletto for Bob Huddleston, President, Dixie State College
Daryl Barrett, Board of Regents
Bill Sederburg, President, Utah Valley State College
Bonnie Jean Beesley, Board of Regents
Steve Bennion, President, Southern Utah University
Loris Betz, Interim President, University of Utah
Race Davies, Governor's Office Planning & Budget
Greg Fitch, President, Utah College of Applied Technology
Kermit L. Hall, President, Utah State University
David Jordan, Board of Regents
Richard E. Kendell, Commissioner of Higher Education
David Longanecker, WICHE Commissioner
George Mantes, Board of Regents
F. Ann Millner, President, Weber State University
Judd Morgan, Interim President, Salt Lake Community College
Tony Morgan, Professor, University of Utah
Sara V. Sinclair, Board of Regents
Maria Sweeten, Board of Regents
Mark Spencer, USHE
Ryan L. Thomas, President, College of Eastern Utah

Rick Wheeler for Mike Bensen, President, Snow College
Gary Wixom, USHE

Staff Present: Boyd Garriott, Sr. Legislative Fiscal Analyst
Debra Headden, Fiscal Legislative Analyst
Lynette Erickson, Secretary

List of Others Present on File

1. Committee Business

Committee Co-Chairman Gladwell called the meeting to order at 9:24 a.m. and welcomed members of the committee as well as members of the Board of Regents and university presidents.

He reviewed the primary purpose of this meeting was to carefully examine where we are headed with higher education in the state of Utah.

Co-chairman Gladwell called on those present to introduce themselves. He expressed appreciation to those who serve and represent higher education and said this group was pulled together to discuss where we are and where we need to go, not so much as how we got where we are, but where we are going and desired outcomes. He stated that while each group has a different role; lawmakers provide direction and appropriate funding, regents are policy makers, and presidents are generals and administrators, that by working together to solve the problems in higher education, the outcomes will be far more meaningful. The discussion of this meeting will focus on critical issues and come up with outcome solutions.

2. Managing Growth in Higher Education

Co-chairman Gladwell introduced Dr. Tony Morgan, a professor of Policy and Planning at the University of Utah, to be the moderator of this meeting. Dr. Morgan reviewed the purpose of the meeting saying what this group was doing something not often done and the focus should be on long term general objectives and handling enrollment growth. The hope of the meeting is that clarity could be gained on objectives, and then allow the Regents to work out specific policies to bring back to the Legislature. He listed three policy objects to be discussed:

1. Access to higher education
2. Opportunity for education
3. Quality of education

Dr. Morgan said tuition has gone up 45% since 1986, while state appropriations have gone up only 25%. This is a worldwide trend. Enrollment in the last five years has seen an increase of over 20,000 students, but the state has funded only a little more than half, leaving over 9,400 unfunded students. Enrollment growth has plagued the system for sometime and we have been dealing with the problem for many years. Enrollment projections for next 15 years expect a 40% increase, not including UCAT. Utah's funding paradox is that while Utah ranks 5th in nation, 154% of the national average, with similar figures in public education, dollars spent per student, Utah is 47th in US. Utah is 4th from bottom in actual dollars per student the state provides.

Dr. Morgan said the following questions arise: Is the current enrollment growth a long term trend? Does funding need to be re-examined and trade offs made between objectives? What policy objectives do policy makers expect the USHE to achieve in an era of limited financial resources? In addition, a common understanding of policy objectives is needed. He said Utah is fairly typical, a low tuition state, like most of the western states, and nationally tuition is going up dramatically. Regent Sinclair suggested looking at what other states are doing and Dr. Morgan responded that a graduate student of his is going to do his dissertation on this and will get quite in-depth.

Regent Mantes remarked that if the legislature doesn't buy in to where we are going, it won't do any good or solve anything.

Rep. Jones raised the issue of student financial aid. Dr. Morgan responded that Utah is currently relying on the federal government for financial aid funding and there has been a tremendous shift from grants to loans prior to 80's, it has now flip flopped. It varies from state to state how much the state is involved in providing financial aid. While Utah is very limited in providing financial aid, the institutions' financial aid (scholarships) is growing.

Pres. Hall discussed the role of Pell grants saying they are a federal grant program for the most needy students. Utahns qualified for quite a few indicating many of our students are financially needy. Pres. Hall said he believes it would be better to charge students more so we could collect more from Pell grants and that we should explore more ways to involve the federal government as we look for additional funding. One problem he sees is that middle income students don't fit federal guidelines for grants, and therefore have to look at loans. The amount of student indebtedness has grown significantly. Congress is looking at consolidation of loans, which would drive the cost of paying back loans up significantly.

Co-chairman Gladwell questioned if preparedness is part of discussion and Dr. Morgan said preparedness definitely affects growth. Sen. Gladwell said he believes we ought to have a system that provides enrollment for everyone that wants to be in the higher education system while taking into consideration those who are not prepared and how to get them through the door. If someone does not

have college degree today, it will be hard for them to succeed. We need to make sure everyone has access to a college experience so they can succeed.

Dr. Morgan drew attention to the first item on a handout entitled "USHE Enrollment Growth Policy Objectives".

1. Full accommodation of growth. Opportunity for all. Regent David Jordan said that it needs to be defined what open enrollment means, it is not same as full access. We need to find a way to fund growth, but if you don't add more classes, students can enroll but they can't get classes. He suggested thinking more broadly and if we are really accommodating students or pricing out students by not allowing them to get classes they need.

Rep. Johnson remarked that we would all like for every student to have opportunity, but the question is how do we afford it. He asked if there were efficiencies, are there classes we don't need to teach because the tax base will simply not support all we would want.

Dr. Morgan, suggested that there are always efficiencies to look at, but our colleges and universities have proven to be pretty efficient. The American way is to let them try, they have the right to succeed or fail. He said other countries are more elitist in their enrollment policies, but more and more countries are moving to our type of system, moving to mass opportunity rather than selection.

Rep. Holdaway asked if Utah is more easily accessible to higher education than other states. Dr. Morgan responded that our participation rate is high, but access is tougher in community colleges because tuition is higher in our community colleges than in other states.

Pres. Hall pointed out that Utah is below the national average in completion rates. A national report card gave us high marks for people participating but not as good a grade, a C-, in terms of completion. He said he favors tuning up the system, but if you can't have students completing programs, he's not sure what success we have.

Regent Jordan suggested we have some unique factors that impact our participation and completion rates. Statistically it is true that because we have a younger marry age, one of the couple may decide to not continue to support the other. Many go on missions and statistics are not adjusted to show those delays in completion. We have a younger childbirth age which also affects completion rates and comparisons with other states. Steve Bennion further pointed out that improving graduation rates has been a major focus of the Regents.

Co-chairman Gladwell turned the discussion to realistically talk about limitations of enrollment such as GPA's, affordability and preparation. He suggested letting the market drive, have greater financial

assistance, and work at preparation at the high school level. He expressed concern about student debt, but said he believes if students add value to their ability to earn income, then loans are appropriate.

Rep. Holdaway expressed concern about our community college tuition costs being higher than neighboring states saying that we need to be careful concerning students there since he believes we have more of a responsibility there. Sen. Allen commented on state vs. private institutions and why students are willing to pay more money to attend private institutions over cheaper state institutions. Rep. Jones said colleges and universities are engines for economy. But while kids are used to going wherever they want to go to college, they need to accept that they may need to go somewhere else,

Rep. Johnson said there were questions in his mind. Should we limit getting into college? Can we afford it? He said we need to look at all angles, maybe we can get more budget, but that won't solve our problem. Could we raise tuition little? Do we want to shift our activities to basic core subjects rather than athletics or basket weaving? Can we make those decisions, will we make them, is it worth it to make them?

Dr. Morgan concluded that he wasn't hearing support for limiting access or enrollment, but support for different student distributions both academically and in efficiencies. Commissioner Kendell suggested looking at how we define a market driven system. To retain quality and price, do we let colleges raise tuition as far as needed to meet their costs? If we free up colleges to raise prices, do we price students out?

Rep. Urquhart responded that we need to better allocate resources. He said he would be in favor of capping enrollments at research institutions if there are other alternatives for students. He said there should be a reward for quality, for students that are ready for research universities, while getting other students to other colleges.

Pres. Hall stated that the problem is multi-dimensional. At USU they have gone from a 99% admission rate to an 85% admission rate. He feels it makes no financial sense to admit people who are not prepared and will not succeed and that is the grossest kind of inefficiency.

Regent Beesley asked if there was information concerning financial aid pay back. She asked if some students at the end of their college experience have the financial ability to repay their loans and grants. She said it doesn't make sense to provide them a loan if their field of study does not provide enough income to pay the loan back.

Pres. Sederburg stated the message the legislature has recently sent is "don't grow" and the message is heard, there is no money for enrollment growth. Any new buildings, additional programs, etc must be

financed through tuition increases. While they could have some cool new academic programs market driven by business, they have slowed down any new academic programs. He strongly advised that what the legislature does is critical and the message sent is heard, but what do we do when the market demands? What are you going to do when students say they can't get into any colleges? As we look at enrollment growth, he would like to see schools free to provide programs to meet market demand.

Pres. Betz, pointed out that of their new enrollment at the U each year, more than half are transfer students, which contributes to their 86% graduation rate.

Rep. Johnson questioned Pres. Sederburg, who should we take money away from? We can't give you money we don't take away from someone else. Pres. Sederburg responded, don't take away, let schools act more like business and be responsive to businesses and the market. He continued that we need to be more agile in looking at business. For example, we make money on out-of-state students. MBA and Masters of Education students are money makers. We need to put money back into those programs and have programs that attract out-of-state students. He said it is hard to get a good program approved. He thinks there are ways for higher education to be more entrepreneurial.

Regent Mantes said what he was hearing that the desire was to provide access to whoever steps up to door. The last few years have been tough budget years for higher education and all the fat is gone. To try to absorb any more is an impossible task.

Pres. Ann Millner said we can only go so high with tuition. We may allow students to be admitted, but not have enough courses for them. She asked do we want to be a higher tuition, higher financial aid state, or do we want that kind of strategy rather than a low tuition, low aid state?

Rep. Dee expressed his concern that unlimited access could affect quality of programs. He said he is not in favor of open access if our high quality of programs goes down. Rep. Hughes said the numbers speak, the revenues received affect what is given. He asked if reality says we can't afford it, then how can we help you? He suggested figuring out how we are going to survive based on the monies available since we can't have it all. Rep. Shurtliff agreed that we have to be realistic, and work with the college presidents, be supportive and not make changes at the last minute that may be detrimental to their ability to function.

Rep. Bryson commented that she came from California where the transfer system is wide open She believes our students should be able to transfer every credit, especially general education credits. She is a proponent of students finding success and feels we should look again at what was created by allowing some of our colleges to become universities. She likes the idea of higher education becoming like a business and feels presidents should be able to think out of the box. She said we should capitalize on Mormons who want to come to Utah for education and believes colleges should be able to

keep money appropriated to them, not move it to central fund.

Regent Mantes said in a perfect world, we could determine broad policy objectives, but the Regents want to understand where we are going with the ship and then they will run it. They don't want to be second guessed, but want to be given a chance to let them do it.

Rep. Holdaway expressed dismay at tuition caps and said we shouldn't be placing caps, but should turn the responsibility of running institutions over to presidents..

Rep. Johnson said we need to know what roles are. He said they presented a good argument to the Executive Appropriations Committee to get one-time funding. He said he thinks there is a role for the appropriation committee and the Regents have a role. The legislature has the responsibility to represent the people who pay the bills and he recognizes both have different pressures.

Pres. Hall said there is no more important source for money than tuition and he believes institutions should have the ability to control tuition as to what they feel is needed. He said one option is to look at way other states handle financial aid. He gave as an the example of the University of Phoenix. Utah is one of their greatest profit centers, and they have twice the rate of tuition. He pointed out that it is their quality that draws students. He concluded that if we do not have quality, our people will end up with something less than they deserve and asked that they have the ability to raise tuition to maintain quality.

Sen. Allen commented that Utahns expect education to be affordable and he suggested that legislators need to do a better job communicating to constituents and families what it takes to educate our children.

Pres. Sederburg said markets in higher education are driven by quality. Private colleges are priced higher and people will pay because they think they get better quality. He suggested that we don't want to be the "Walmart" of higher education. At UVSC they have found that with improved quality, their enrollment has gone up. He said price doesn't drive decisions, the presumption of quality drives it. He also commented that we need to distinguish between open enrollment and a revolving door where everyone can come if they are ready and willing to work. Open enrollment is really opportunity enrollment.

Rep. Jones indicated that price is never an issue, people always want value and suggested that we have to have value to get buy in from the public. She continued that we all benefit from higher education, and we all benefit even more from quality higher education. This is the message we need to get out to the public. She would like to see the legislature talk about restructuring the tax system. The public needs to understand they are going to have to pay more to get quality education.

Commissioner Kendell expressed that this conversation illustrates trade offs, and that it is valuable to

set policies. He is happy with a market driven system, unhappy with a market driven system with price controls. It is clear we can't keep all options open and maintain quality and there needs to be clear guidelines to follow.

Rep. Johnson said that he submits that every school could be a little more efficient. Business can't just raise tuition to come up with more money. The private sector is a tough place to do business and therefore he doesn't think presidents should expect to have a free hand.

Regent Jordan commented that the best one to speak for students is the students and the Regents try to hear students. He said the presidents were directed to go to students and ask them what they want and what they are willing to pay. They let the process work. The presidents negotiated with students on what they wanted and we should honor their recommendations. The problem is when legislators have a different view than what the students told presidents. He stressed that they don't want to receive a blank check, but we need to honor negotiations of presidents and students. Pres. Hall agreed, that he negotiated with students as they set up a mechanism to do. Then the legislature came in at the end and said we want something else. The entire negotiation then was broken.

3. Working Lunch

The committee recessed for lunch at 11:30 a.m.

Co-Chairman Gladwell called the meeting back to order at approximately 12:05 p.m. After thanking the group for their candor and comments, he directed that they were going to have to look at trade-offs and be realistic to come to conclusions. He said these may be very difficult trade offs and it will be tough to make these ultimate decisions. But if we want everyone to have at least the opportunity to go to college, it is going to cost money and if we want them to have quality experience, we as the legislature might have to step back.

Rep. Urquhart expressed concern that because of the legislature's economic funding pressures, their actions have breached good faith negotiations. The group reviewed the funding outcome of the last session.

Sen. Allen expressed his concern that we have got into micro-managing colleges, instead of just appropriating money we are also appropriating programs. We said we hire very experienced people and then we create mistrust when we do not help them.

In response to Co-Chairman Gladwell asking if anyone was not in favor of open access, Reps. Jones and Holdaway said access should be available to anyone who wants to go. But access should be limited to those that are prepared for different institutions. Regents have to work to make options

available to those who are not prepared but would like to be.

Rep. Dee restated his position that he supports free access, but that students need to be prepared for that access. Responsibility has to fall back on parents. Are we going to subsidize those that are not prepared? He said he does not believe in free access if they are not prepared. and he doesn't feel it is the responsibility of government to get them ready.

Boyd Garriott responded to a question from Rep. Jones, that it would cost \$40 million to fund growth. Rep. Jones said it is the responsibility of families to realize the advantage of a college education. There will be a point when families will not be able to afford college. We need to talk about efficiencies, tax restructuring. Corporations benefit as well from well educated students.

Regent Sinclair defined lean management as enhanced value of quality while remaining cost effective and satisfying customers and suggested it can be controlled with right principles. She said she thinks higher and public education need to lock arms and collaborate and cooperate so that everything possible can be done to prepare students.

Co-Chairman Gladwell concluded that because of natural built-in funding constraints, it appears the trade off is that we are going to allow tuition to increase significantly.

Regent Mantes, reaffirmed that the Regents look on this relationship as a partnership and the result we want is to provide good education. He also stated that they care very much about raising tuition. Dr. Morgan reminded that while it is important to talk about access, we can't let quality and financial aid slide. Legislators should protect policy objectives. Pres. Kermit Hall suggested that maybe what we need is competitive matching for financial aid. Over the long haul that would help. Pres. Sederburg reassured that they are looking for creative ways to reduce costs such as concurrent enrollment. Phil Alletto stated that at Dixie, for only \$15 more per month per student, they could provide salary raises and other vital improvements at a total cost is less than or equal to six months of car payments.

Rep. Dee said that we need to look at students who can't pay tuition. Possibly develop a partnership between the legislature, regents and students, to create a fund that for every dollar students pay, others will match their dollars, and create a greater opportunity for those students who are prepared.

Pres. Hall reaffirmed that preparedness is critical and you don't give opportunity when you set them up to fail.

Co-Chairman Gladwell said he felt if tuition increases were set, and the students know the amount of money and what they will get, then they will buy in.

Rep. Shurtliff questioned Pres. Hall who submitted that 78% of students will not go all four years and sixty percent of students don't go past their first year. She wondered if it was good or not for them to go just one year to which Pres. Hall responded that it is detrimental and that preparedness is one of the very best indicators of their long term success. She asked if this costs the state additional money. He responded that rotating students creates social costs, and institutional costs. We should all want high participation rates. Other schools have 80-85% retention with students paying 2-3 times the tuition. Rep. Shurtliff concluded that we need to qualify that accessibility should be for students that are prepared for and alluded that our parents don't prepare financially for their children's education.

Co-Chairman Gladwell, asked the Regents if they understand where the legislature is headed, to which Regent Jordan gave the following synopsis:

1. On systemwide basis we want open opportunity for students.
2. Collaboratively in the education system as a whole, we need to do better job to help students succeed.
3. We need to acknowledge the reality that research institutions may need to limit growth, and students may need to be redistributed.
4. To accommodate the reality of growth, tuition increases are going to continue in the future and may be significant.
5. You are willing to give the system, particularly higher education presidents, more discretion in setting tuition rates for their institutions given their role.
6. With tuition continuing to grow, we will need to be prepared to provide more financial aid.

Rep. Dee stated that this is one of best meetings he has attended and feels this is the role of the committee. He felt more was accomplished today than in all of meetings last session and as far as giving direction to regents and presidents, this was the best thing that could have happened.

Co-Chairman Gladwell concluded that he hoped this was the beginning of a long-term, very important collaboration.

4. Other Items

Commissioner Kendell briefly reported on three items:

1) Remedial Education. He said they are working on a formal resolution moving towards a plan to make remedial education for 18-21 year olds self-funded without any state funds used. They are close to finishing their study and will report on the 16th of June their findings. He said that while higher ed is a place for second chances, we've got to better address early intervention so remedial needs will be diminished.

2)Transfer of Credit among USHE institutions (HB 320). Commissioner Kendell reported he sensed frustration with this issue and said they are trying to focus on preparation, general education and as much transferability as possible. He clarified that if students obtain an associate degree, it is accepted by all USHE institutions. He said there will continue to be loose ends, but they are making strides and are very encouraged. A committee has met to compare courses with similar content or numbers. They have identified 300 courses for transferability and are preparing identical numbers and titles system-wide. This represents about 60% of course work with full implementation of general education required courses planned for by the year 2005. Mr. Spencer commented that they are interested in hearing stories relating to non-transferability so they can look at real situations and address any concerns.

3)Funding for Fuel and Power and Operating and Maintaining new facilities and the impact on higher education budgets. Commissioner Kendell, along with Mark Spencer, said they will have a report in October with the final report by January 1 on fuel prices and what institutions have done to be efficient and what can they do to cope with higher fuel costs.

New LFA Budget Format

Mr. Boyd Garriott, Senior Legislative Fiscal Analyst, informed the committee that their office in trying to reduce documentation and focus on recommendations, will be implementing a new budget information brief to be produced for each subcommittee. These will include budget information, performance and accountability, issues and recommendations. He distributed samples of these and said they plan to gather information from each institution and then pick key issues and performance measures for inclusion.

4. Maintaining quality and productivity through accountability and performance funding

David Longanecker, Ex. Dir of WICHE. gave a power point presentation on accountability measures for higher education (presentation attached). He complimented the group saying getting together where you can talk to each other is unusual and remarkable. He does not see Utah's system as a broken system, it is an excellent system that is facing a unique set of challenges, and will have to look at things differently than has been done in past. Since Utah is one of the fastest growing states, he suggested three things to look at:

1. Come to an agreement of goals
2. Move toward a more common understanding of ways to accomplish the goals
3. Look for ways to fund the goals

Some of the advice he gave included if you don't know where you want to go, any road will get you there. Assume a common understanding of goals. There are different perspectives of quality. Don't worship measures instead of purposes. Affordability is a means toward a goal, not a goal. Be careful measures don't become goals. He discussed the key measures to look at are quality, access, access to

success (students get out as well as in), relevance, and cost effectiveness. How to get there has to fit this state, not someone else's model. He showed charts that displayed how USHE stacks up today. He said the keys of accountability are a neutral analysis, aligning accountability with responsibility, marrying data and information, and choosing the right tools. He emphasized that the legislature should focus on the system and the regents need to focus on institutions. Regarding performance funding, he stressed that less is more and it is better to select a few goals and pick even fewer measures. Politics and accountability are intertwined and once you know each other, you will understand each other better, and work together better.

Dr. Longanecker presented recent data that indicated Utah has an exceptionally productive and cheap system of education. Utah is very cost effective, the most cost effective state in the country, while funding is well below the national average. In degree of productivity, Utah is right on line. Utah's research universities are not as selective as other research universities in the country and he pointed out that you are doing students a favor by directing them to the college experience where they can succeed. Graduation rates at our non-research universities are a little better.

Dr. Longanecker concluded that in Utah there is a lot to be satisfied and proud of. Utah has an effective system without much fat or room for slack and it is going to be hard to accommodate the projected 40% more students within the system. There is going to have to be more funding. He suggested that Utah will have to be more conscientious directing students to where they can succeed. He said we should focus on goals, define them and see if all agree on accountability. Once we agree on goals, then we need to work on measures to achieve those goals. Very few states do rational planning and there is evidence that if all work together as a partnership, and there is understanding on all sides, the state will be better. He stressed that Utah isn't good because it is frugal, it's good and it's frugal.

Rep. Holdaway suggested this group get together again in the fall for a discussion similar to today. Co-Chairman Gladwell concluded the meeting by saying the legislature should focus on outcome measures, not process. He thanked Dr. Longanecker for his presentation, Dr. Morgan for moderating and Pres. Millner for hosting this meeting.

Motion: Rep. Holdaway made a motion to adjourn the meeting. The motion passed unanimously.

The meeting adjourned at 2:05 p.m.

Minutes reported by Lynette Erickson.

